Land Management Services

A Special Operating Agency

ANNUAL REPORT

2005 - 2006

Manitoba

Transportation & Government Services

2007-01607/

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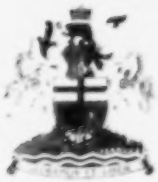
Letter to the Lieutenant Governor



MINISTER OF TRANSPORTATION
AND GOVERNMENT SERVICES

Room 301
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

July 17, 2006

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the honour of presenting the Annual Report of Land Management Services (LMS), a special operating agency, covering the period from April 1, 2005 to March 31, 2006. This is the final report for LMS, as effective April 1, 2006, the Operating Charter for LMS was revoked and its operations reorganized under the newly established Crown Lands and Property Agency.

During 2005/06, LMS continued to be involved in a wide array of projects. Some highlights include the acquisition of land for PTH 16 (Russell), PR 355 (Minnedosa), PTH 83 (Birtle), PTH 6 (North of Warren), PTH 59 South (Ile des Chenes) and the Codner Drain (R.M of MacDonald). In addition, the Agency completed appraisals on the following Winnipeg buildings: Law Courts, Remand Centre, Provincial Archives and the Norquay Building. LMS prepared appraisals for Manitoba Conservation's Cottaging Program and worked with the Red River Floodway Authority regarding the Floodway Expansion Project.

As a Special Operating Agency, LMS has been commended over the years on its past performance and achievements in providing centralized real estate services to its clients. I anticipate this excellence in service will continue as a part of the Crown Lands and Property Agency.

Respectfully submitted,

Lemieux.

Ron Lemieux
Minister Responsible for
Land Management Services Agency

Letter to Minister of Transportation & Government Services

Manitoba

Deputy Minister of
Government Services

332 Legislative Building
Winnipeg MB R3C 0V8

Telephone: (204) 945-4414
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July 17, 2006

Honourable Ron Lemieux
Minister Responsible for the
Land Management Services Agency
Manitoba Transportation and Government Services
Room 203, Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

I am pleased to submit for your consideration the eleventh and final Annual Report of Land Management Services Agency for the fiscal year ended March 31, 2006.

LMS continued to provide a variety of quality professional services to its clientele. The service delivery model is based on client demand that requires quality services delivered in a timely and efficient manner. LMS has been dissolved as a special operating agency as of April 1, 2006. It is being reconstituted under the new Crown lands and Property Agency.

I am pleased with the success LMS has demonstrated over the years , the commitment of its employees, and the support received by its stakeholders. I am confident this success will continue under the new Crown Lands and Property Agency.

Respectfully submitted,

Debra Woodgate

Debra Woodgate
Chairperson of the
Land Management Services Advisory Board

Mission Statement

Land Management Services is committed to providing quality comprehensive land management services to various levels of Government Departments, Boards, Commissions, Corporations, Agencies and Clients.

Manitoba

Message from the A/Assistant Deputy Minister

As the Chief Operating Officer of the Agency, Rae Csversko, retired in 2006, I am please to report on the activities, challenges and opportunities of Land Management Services (LMS), on behalf of the management and staff.

The 2005/2006 Annual Report represents the eleventh and final year of operations for LMS as a Special Operating Agency (SOA).

LMS has been dissolved as of April 1, 2006 and its operations will form part of the new Crown Lands and Property Special Operating Agency.

Highlights of the Year:

LMS's growth continued in the appraisal of high end, complex commercial and institutional properties such as the Law Courts, Remand Centre, Provincial Archives and the Norquay Building.

Although acquisition of right-of-way decreased significantly, more focus was in more complex areas such as PTH No. 1 (between Winnipeg and Headingley), and PTH No. 16 (Russell), as well as PTH No. 59 South (Ile des Chenes), PR 355 (Minnedosa), PTH 83 (Birtle), PTH 6 (North of Warren), and Codner Drain (R.M. of MacDonald). In total 284 acres were purchased at a cost of $1,489,000.00.

LMS continued to provide appraisal services to Manitoba Conservation in relation to the Cottage Lot Initiative. The Agency also provided consulting services to the Manitoba Floodway Authority and its consultants to better facilitate the acquisition process, and worked with Water Stewardship in other areas.

I commend the employees of LMS for their energy, ideas and resourcefulness in making the Agency a success over the years.

Respectfully,

Tracey Danowski
A/Assistant Deputy Minister
Transportation & Government Services

1 Agency Profile

1.1 Mandate

The Land Acquisition Branch was created in 1965 as part of the then Department of Public Works. The Land Acquisition Act was passed into law in the same year to bring consistency and uniformity to the process of real estate acquisition by Government. Part I of *The Land Acquisition Act* established the Land Acquisition Branch and Part II established the Land Value Appraisal Commission.

The Land Acquisition Branch was made responsible for the appraisal and acquisition of real property for Departments and Government Agencies, as well as the disposal of surplus buildings and land acquired on behalf of Government by the Branch.

The head office was decentralized to Portage la Prairie in April 1993 with regional offices continuing to be located in Dauphin and Brandon, with appraisers located in Winnipeg, Dauphin, Brandon, and Portage la Prairie.

Under the Act, the Minister responsible for the Branch is in charge of all matters relating to the acquisition of land or the expropriation of land by any authority. However, this does not include The Manitoba Agricultural Credit Corporation, The Manitoba Development Corporation or any utility.

1.2 Agency Development

In the mid to late 1950's, the Manitoba Government embarked on three of the largest land acquisition programs in Provincial history. Those projects involved the purchase of land for the Greater Winnipeg Floodway, Birds Hill Provincial Park and the Perimeter Highway around the City of Winnipeg.

The acquisition programs were undertaken by three separate provincial entities. The land for the Greater Winnipeg Floodway was acquired by a "Floodway Property Committee"; the land for Birds Hill Provincial Park was purchased by staff from the "Crown Lands" section of the then Department of Natural Resources; and the Perimeter Highway was purchased by staff in the "Right of Way" section of the then Highways Branch of the former Department of Public Works.

As each acquisition program progressed, it was determined that there was little consistency in the compensation paid for comparable land, by each entity. In fact, in some cases, the Floodway and Perimeter Highway projects affected the same landowners. However, some of those owners received different compensation from each group for comparable land.

In an effort to bring consistency and uniformity to the process of real estate acquisition by Government, *The Land Acquisition Act* (the Act) was passed into law in 1965. The Legislation created the Land Acquisition Branch (the Branch) and the Land Value Appraisal Commission (the LVAC). The Branch was made responsible for negotiating all land purchases by Provincial Government departments and agencies, with the exception of The Manitoba Agricultural Credit Corporation, and The Manitoba Development Corporation and utilities.

The Act established specific duties and functions to be followed by the Branch when purchasing land for Government purposes. The LVAC reviews all purchases and arbitrated compensation disagreements to ensure all property owners received fair compensation.

It soon became evident that the new uniform procedures for purchasing land by Government developed a sense of trust in the minds of affected landowners, and produced a willingness to negotiate the sale of their property without the Government resorting to the more costly method of expropriating land for Provincial projects.

1 Agency Profile

Effective April 1,1995, the Land Acquisition Branch, using the operating name of Land Management Services, was designated as a Special Operating Agency by regulations under *The Special Operating Agencies Financing Authority Act*, Cap.S185, C.C.S.M., and operates pursuant to an operating charter approved by the Lieutenant Governor in Council.

LMS continued to be part of Transportation and Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division and the policy direction of the Deputy Minister of Government Services and the Minister of Transportation and Government Services. The operations of the Agency continued to be subject to relevant legislation, regulations, and administrative policy, except where specific exemptions have been provided for in its charter, to meet business objectives. LMS is economically dependent on the Province of Manitoba as it receives most of its revenues and all of its capital financing requirements from the Province.

The daily operations of LMS are managed by the Chief Operating Officer, who reports directly to the Assistant Deputy Minister of Supply and Services, a Division of Transportation and Government Services. The Chief Operating Officer provides quarterly financial reports, operational status reports, annual business plans and annual reports, to the Advisory Board for review and to the Minister for final approval.

The Advisory Board has commended the Agency for its past performance and achievements.

1.3 Our Mission

To provide comprehensive land management services to various levels of governments, departments, boards, commissions, corporations, agencies and clients.

1.4 Our Vision

To be the principal supplier of a centralized, all-inclusive real estate service to the public sector using an optimal blend of internal and external resources.

1.5 Our Goals and Objectives

Goals

- To provide Government with opportunities to reduce annual expenses for real estate interests held in Manitoba.
- To have access to a consolidated real property inventory, listing all Manitoba owned land and/or buildings.
- To be the service provider of choice by all levels of Government for real estate services.
- To facilitate the creation of a Provincial Property Asset Management System proposal that will achieve significant cost savings through the identification of opportunities that will achieve efficiencies;

Expected Result:	*Implementation of a Risk Management Strategy that would include market value appraisals of provincially owned properties that would also include insurable value, thereby reducing a duplication of services;*
Expected Result:	*Identify surplus property for sale and increase Central Government cashflow;*
Expected Result:	*Accumulate required information for property management review and analysis of Government assets;*
Expected Result:	*Identification of Assessment Audit Review opportunities;*
Expected Result:	*Assembly of fully integrated database of all Government properties;*

- Expansion or enhancement of products, services and delivery programs provided;

Expected Result:	*Implementation of change management program to meet ever increasing client requirements.*

Short Term Objectives

- To continue with implementation of succession planning to ensure continuity of services.
- To ensure that an accessible, safe and secure environment is maintained for all record storage.
- To stabilize and expand LMS' information technology to enhance services and diverse marketing tools.

Business Practices & Principles

- To run Agency operations, as far as practical, according to best business practices.
- To maintain and renew equipment and other assets, in light of operational needs, using appropriate methods of investment.
- To promote staff participation in the ongoing development of operational efficiencies in all aspects of operations.
- To continually assess the Agency's policies and procedures in relation to overall efficiency and effectiveness.

1.6 Operational Review

Lower than anticipated client service demand in conjunction with vacancies created from both retirements and turnover negatively impacted the performance. The Agency met 64% of its total forecasted operational targets. The Processing/Paralegal Section achieved 80% of its stated overall processing objectives, the Appraisal Section achieved 30% of its forecasted number of appraisal and acquisition objectives and the Sales & Leasing Section achieved 12% of its stated number of properties for disposal.

The Processing Section's core service did not change, whereas the Appraisal Section continued to shift to more high profile - complex projects. These types of projects are by nature more time consuming and demanding, resulting in a fewer number of projects being completed in the same time frame, but demanding higher caliber, superior quality delivery of service and documentation.

1.7 Systems: Information and Technology Plan

As in all information based services, technology is the structural backbone that supports the employees to complete their assigned tasks. This Agency is no different in that regard. LMS has completed a three-year plan to resolve issues, reduce maintenance costs, and lay the foundation for future development. The goal was to provide more comprehensive land management services through a more mobile, efficient and well-connected staff. The primary objective was to improve the LMS Information Technology infrastructure in a way that is scalable, versatile, cost-effective and incrementally implemented. The IT changes have enabled all LMS employees access to convenient, flexible access to user-friendly data in a timely manner, using current IT industry standards in hardware and software. The planned technology upgrades have been completed successfully and below estimated cost.

Data conversion of paper documentation into digital format for the protection of vital information continued. Of the 48,000 legal pockets 81% of the pockets have been completed.

1.8 Human Resources

The Agency has identified increased client demand requiring appraisers with a more diverse skill set in Asset Management. There are a variety of complexities that make this business unique and demanding of specialized skills. This new area, along with meeting traditional demands, forces a new mix of expertise in the Appraisal and Acquisition business area.

Succession planning was a priority for the Agency as the transference of knowledge is essential to deliver continuity of service to its clients.

LMS continued to foster employee involvement, thereby creating an environment for employee empowerment. This was accomplished by employee development through education, implementing ideas and procedures brought forward from staff via regular meetings and encouraging discussions with individuals whose suggestions may resolve problems, issues or increase efficiencies.

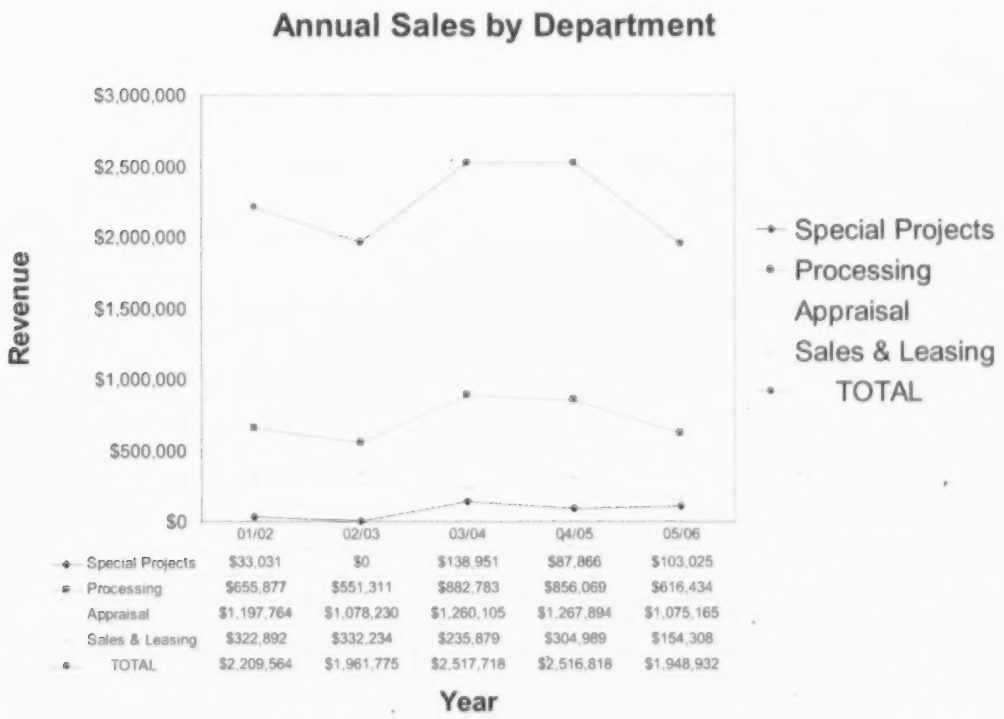
1.9 Marketing

The development and marketing of specialized services to assist clients in ascertaining their current Asset Management position continued. The program provides the information necessary that aids in the formulation of Property Asset Management planning decisions by clients.

Chart 1 (Annual Sales by Department) demonstrates that total sales for the Agency declined over the past five years by 23%. Revenue performance from all business areas followed this trend except Special Projects. Revenues decreased by 49% in Sales & Leasing, 15% in Appraisals/Acquisitions, 28% in Processing, while Special Projects increased by 7%.

Chart 2 (Sales by Clients) provides a clear picture that approximately 80% of the Agency's general revenue was generated from two major clients in the last five years. Highways (Transportation) remained the largest client by continually providing anywhere from 50% to 60% of the general revenue generated. Manitoba Conservation has been the second largest client for the Agency for the fifth consecutive year, comprising at least 25% of general sales.

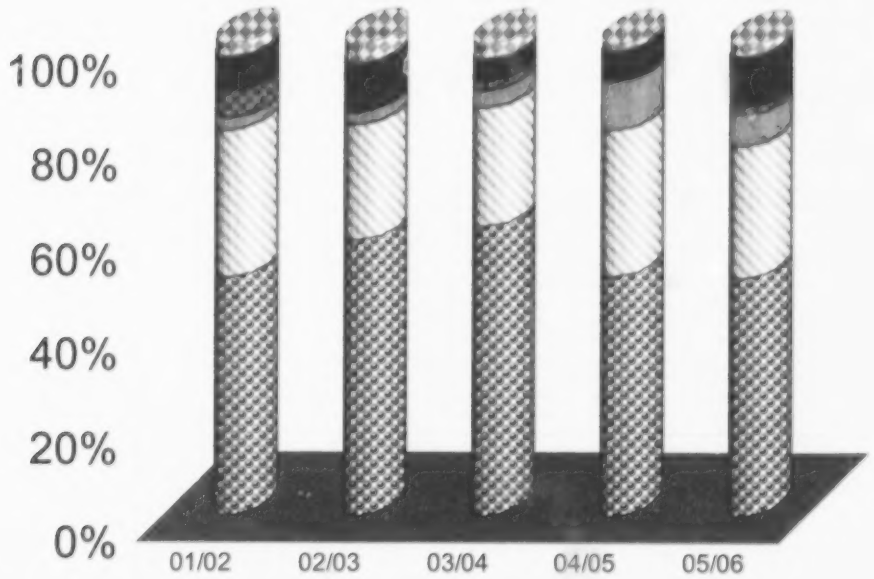
Chart 1



	01/02	02/03	03/04	04/05	05/06
Special Projects	$33,031	$0	$138,951	$87,866	$103,025
Processing	$655,877	$551,311	$882,783	$856,069	$616,434
Appraisal	$1,197,764	$1,078,230	$1,260,105	$1,267,894	$1,075,165
Sales & Leasing	$322,892	$332,234	$235,879	$304,989	$154,308
TOTAL	$2,209,564	$1,961,775	$2,517,718	$2,516,818	$1,948,932

Chart 2

Sales by Clients



	01/02	02/03	03/04	04/05	05/06
Misc.Sales (< $50,000)	3%	4%	3%	1%	2%
Crown Corporations	6%	5%	4%	5%	7%
Family Services & Housing	2%	5%	1%	1%	4%
University/College/School Boards	6%	0%	2%	1%	2%
TGS Gov't Services	3%	3%	4%	10%	7%
Manitoba Conservation	31%	25%	25%	31%	28%
TGS Highways	50%	58%	61%	51%	51%

2 Operational Status

2.1 Appraisal and Acquisition Activities

This business area provides services in the appraisal and valuation of property, which includes a broad range of services from the acquisition of right-of-way to complex commercial or special use properties. Services also include acquisition of real property through negotiation by agreement or expropriation, easement acquisitions, valuation of Crown property for disposal purposes and property assessment reviews.

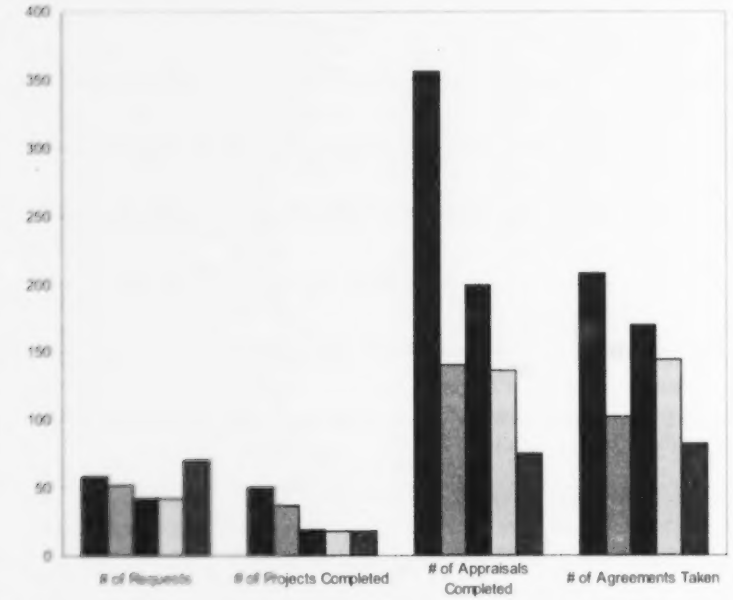
An assortment of projects which highlight the Agency's broad range of services included:

- Highway No.1 at Headingley
- Highway No.16 at Russell
- Highway No. 59 South at Ile des Chenes
- Highway No. 83 at Birtle
- Highway No. 6 North of Warren
- Provincial Road 355 at Minnedosa
- Codner Drain in the R.M. of MacDonald
- Valuation of the Law Courts Building, Remand Centre, Provincial Archives Building and the Norquay Building for assessment review achieving a reduction of assessed value of $29.7 million dollars
- Valuation of cottage lots across Manitoba for sale under Manitoba Conservation's Crown Lands Cottaging Initiative
- Valuation and acquisition for the Red River Floodway expansion

In summary, LMS completed 75 appraisals, 82 agreements, and purchased 283.7 acres worth $1,489,037. As indicated in Chart 3 (Appraisal Statistics and Property Acquisitions), activities are lower than previous years' levels due to decreased client demand and increased complexity of projects which involved a greater degree of variety of skill sets and rigorous standards, while ensuring business was transacted in a fair and equitable manner for all parties concerned.

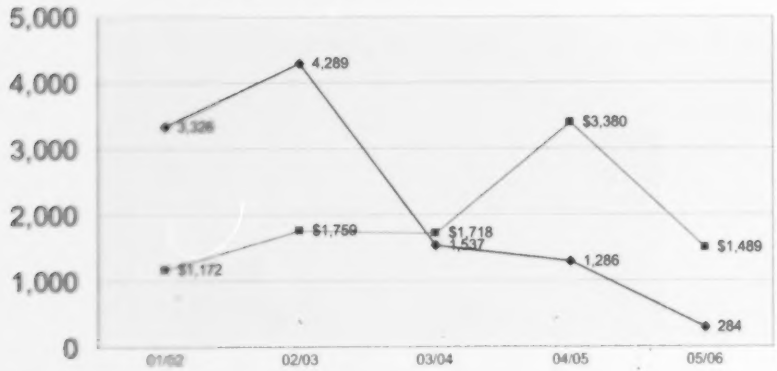
Chart 3

Appraisal Statistics



	# of Requests	# of Projects Completed	# of Appraisals Completed	# of Agreements Taken
01/02	58	50	356	208
02/03	52	37	140	102
03/04	42	19	198	169
04/05	42	18	136	144
05/06	70	18	75	82

Property Acquisitions



	01/02	02/03	03/04	04/05	05/06
# of Acres Acquired	3,326	4,289	1,537	1,286	284
$ Land Cost LVAC (x 1,000)	$1,172	$1,759	$1,718	$3,380	$1,489

The Agency's success in Assessment review area continued. Assessment reductions achieved through LMS accumulated to $241,630,000. This converts to an estimated annualized savings of $12,100,000 in Grants in Lieu of Tax for the Province of Manitoba.

2.2 Processing Activities

The focus of service in this area is the completion of all paralegal work necessary to convey ownership and/or register interests in land and ensure compliance with statutory requirements on behalf of clients. This includes the production of all legal documentation required to ensure policies, procedures and statutory requirements are met when acquiring real property through agreement or expropriation. This business area also directs all payments from the client department to the beneficiary.

Continuation of the processing of historical transactions (backlog files), which includes the verification of all agreements and property takings have been completed and the liabilities verified due have been compensated in full, were ongoing as scheduled and as client finances would permit.

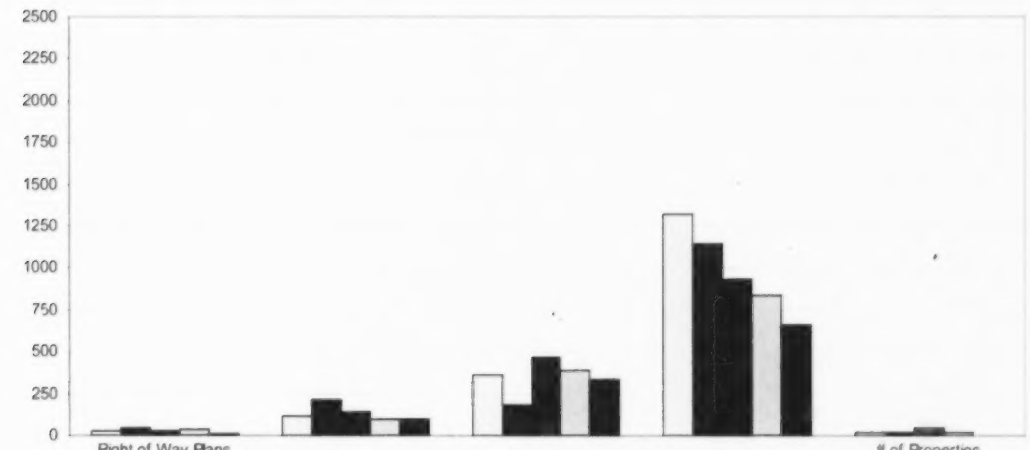
The work is categorized as shown in Chart 4 (Processing Statistics). Processing of current files was average based on the last five years' performance totaling 333.

The total number of files finalized was 824, consisting of 166 current files (of the 333) and 661 backlog files. Backlog files finalized were relatively lower over the past five years for two reasons. The first relates to the limited funding available to process files by the individual client departments. In addition, as completion of files is transacted, these backlog files are now near to being completed or the backlog files have all been completed for various departments and no longer have backlog files to be processed. This has a limiting factor of distributing the workload and the available funding over several departments.

There were 163 survey plans registered, 12 survey plans certified for registration and no expropriations finalized. An additional 100 files requiring miscellaneous processing requirements at the request of client departments or affected owners were completed. Based on the last five years, there is an overall downward trend in each category of activity.

Chart 4

Processing Statistics



	Right of Way Plans Certified	Other Files Processed	Current Files Processed	Back Log Files Processed	# of Properties Expropriated
01/02	27	111	357	1323	16
02/03	42	212	189	1141	15
03/04	28	139	468	931	43
04/05	35	97	391	832	21
05/06	12	100	333	661	0

2.3 Sales & Leasing Activities

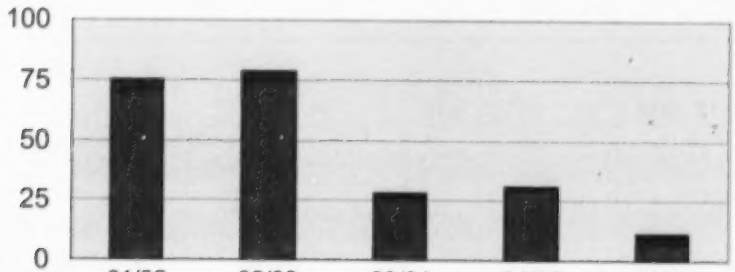
This business area's function is to perform all activities relating to the disposition of surplus properties by way of sale or lease, as well as site restoration/demolition work to provide a clean site. This is undertaken in accordance with policies and procedures approved by Treasury Board.

In the area of the property sales, overall activity was significantly lower than the prior years, in terms of the number of properties sold and the revenue generated by these dispositions. Charts 5 (Properties Sold) & 6 (Proceeds from Properties) show a total of 11 properties were sold (3 of marginal value) generating $73,109 in proceeds ($2,350 for marginal properties). Revenue for these sales are returned to the Province's Consolidated Fund after fees have been reimbursed to LMS.

The yearly activity for leasing of properties totaled 83 leases generating $138,765.95 in proceeds.

Chart 5

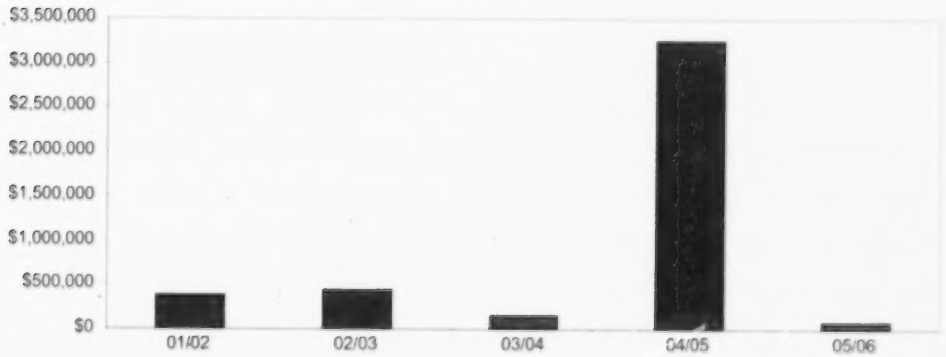
Properties Sold



	01/02	02/03	03/04	04/05	05/06
# of Marginal Property	5	4	2	1	3
# of Non-Marginal Property	70	74	26	30	8

Chart 6

Proceeds from Properties



	01/02	02/03	03/04	04/05	05/06
$ Marginal Property	$11,547	$1,056	$2,696	$2,500	$2,350
$ Non-Marginal Property	$365,899	$436,392	$149,011	$3,247,041	$70,759

2.4 Special Projects

Special Projects business area co-ordinates specialized activities within normal projects undertaken by other Agency business areas. Additional resources are required to successfully accomplish client requests.

The majority of the activities for the past year dealt with assisting in the resolution of various files on contentious issues. Projects related to PTH No. 59 South, Bodnaruk cottage lot access, PTH No. 1 West, Community Dykes and preparation of reporting on Assessment Appeals.

3 Financial Highlights – 2005/06

FINANCIAL HIGHLIGHTS		Mar. 31/06	Mar. 31/05
Income Statement			
	Income Before Expenses	1,948.9	2,534.1
	Expenses	2,110.2	2,240.1
	Net Earnings (Loss)	(161.3)	294.0
Balance Sheet			
	Working Capital	(261.4)	59.7
	Total Assets	905.6	1,313.9
	Total Liabilities	915.9	912.9

4 Performance Highlights – 2005/06

PERFORMANCE HIGHLIGHTS		Mar. 31/06	Mar. 31/05
Appraisal	Agreements Certified	82	144
	Appraisals Completed	75	136
Processing	Files Finalized	827	1036
	Current Processing	166	187
Sales & Leasing			
	Proceeds – Sale of Surplus Property [1,2]	$73.1	$3,289.7
	Expropriations	0	21

(1) *Purchase price (before adjustments for taxes and LMS fees) with net proceeds returned to Consolidated Fund, includes rent for properties leased. Revenue generated is dependent on availability and marketability of properties determined to be surplus by LMS' clientele.*

(2) *Assessed/appraised property values not collected for property(s) transferred between Government Departments and other levels of Governments. This amount is in addition to Sale of Property proceeds (1). Properties transferred between Government Departments are normally transferred with the receiving Department paying LMS' disposal fees and not the assessed/appraised value of the property.*

5 Management Discussion & Analysis

ACTUAL TO BUDGET FINANCIAL ANALYSIS

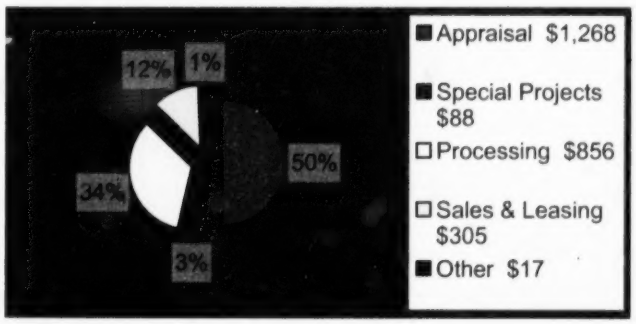
Revenues:

LMS offered professional real estate services on a fee-for-service basis, thereby providing a more economical rate structure in comparison to the private sector, as well as providing value added support services to clients that are currently unavailable from the private sector. As described in the operational status, LMS is segmented into four client service sections, the Appraisal Section, the Processing/Paralegal Section, the Sales & Leasing Section, and the Special Projects Section.

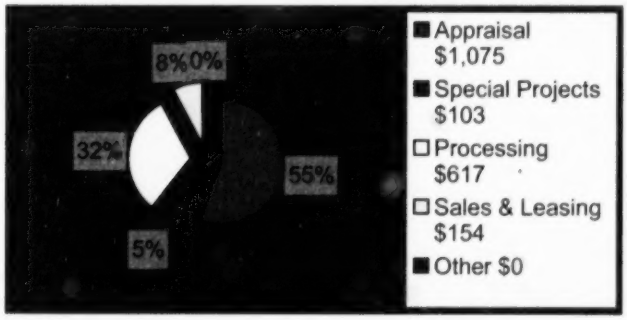
Revenues for the 2005-2006 fiscal year declined in comparison to the previous year's revenues with a slight shift in the business areas' revenue distribution. Although a moderate increase in revenues was forecasted, actual revenues were 34% less than forecasted, and which was 23% less than the previous year.

Source of Revenues (000's)

2005/06



2004/05



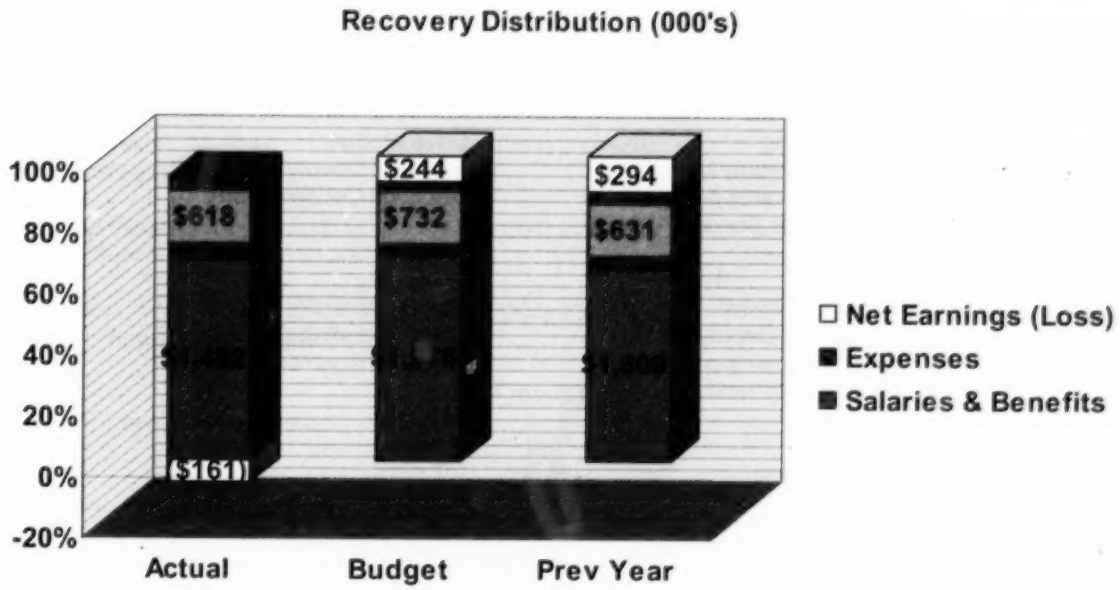
5 Management Discussion & Analysis

Expenses:

- **Salaries and Benefits:** Salary and benefits expenditures decreased by 7% or $117 over the previous year expenditures and 25% or $465 under forecast.

- **Administrative Expenses:** Overhead and variable expenses decreased nominally by 2% or $12 from previous year and 15% or $113 under forecast.

In summary, revenues declined to a greater degree to the previous year than the salaries, benefits, operating and overhead expenses. This resulted in a net loss of $161, creating a 155% negative in comparison to the previous year. Although revenues were lower than forecasted by $1,003, there was a reduction in total expenses in comparison to budget accumulated to $598. This expenditure reduction partially offset the impact of lower than anticipated revenue. The net result was a $405 negative variance from a budgeted profit of $243 to a net loss of $161.



5 Management Discussion & Analysis

ACTUAL TO BUDGET FINANCIAL ANALYSIS

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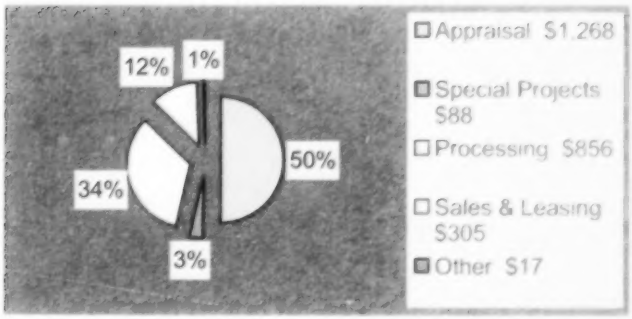
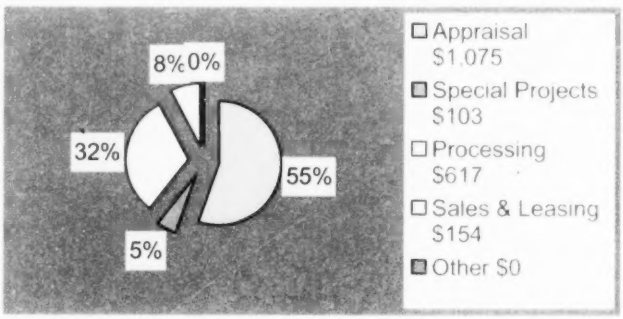
Source of Revenues (000's)

2005/06



2004/05

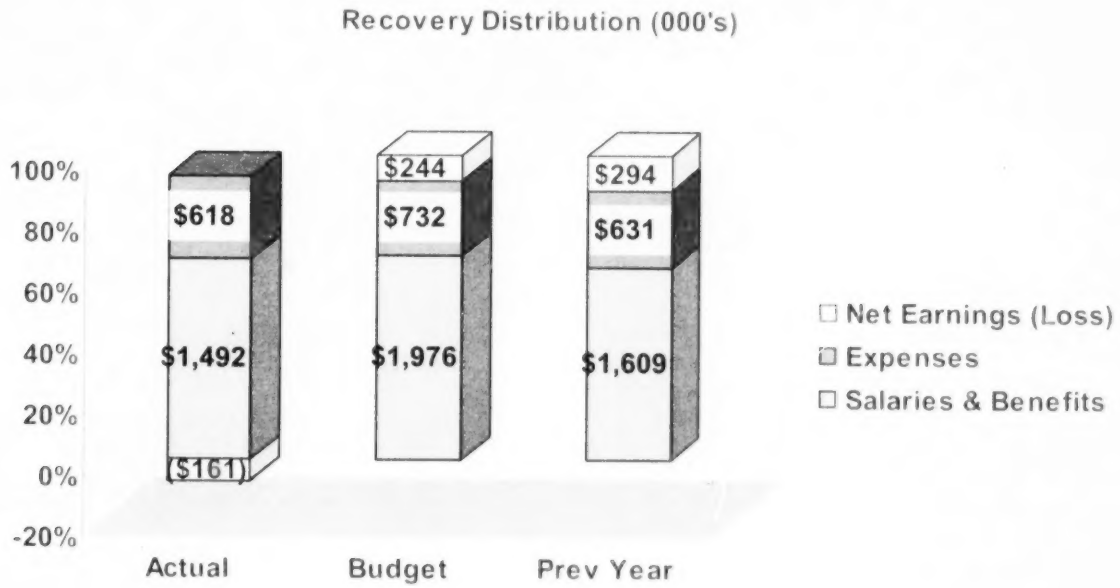


Expenses:

- **Salaries and Benefits**: Salary and benefits expenditures decreased by 7% or $117 over the previous year expenditures and 25% or $465 under forecast.

- **Administrative Expenses**: Overhead and variable expenses decreased nominally by 2% or $12 from previous year and 15% or $113 under forecast.

In summary, revenues declined to a greater degree to the previous year than the salaries, benefits, operating and overhead expenses. This resulted in a net loss of $161, creating a 155% negative in comparison to the previous year. Although revenues were lower than forecasted by $1,003, there was a reduction in total expenses in comparison to budget accumulated to $598. This expenditure reduction partially offset the impact of lower than anticipated revenue. The net result was a $405 negative variance from a budgeted profit of $243 to a net loss of $161.



6 Advisory Board

Supporting the Initiative: The Advisory Board's role in support of the Agency is to offer advice and direction on short and long-term strategic planning, management and reporting, as well as issues of concern to our customers and the private and public sectors. The Board reviews the Agency's Financial Reports, Business Plan, Annual Report and any proposed changes to the Agency Operating Charter.

CHAIR

Debra Woodgate
Deputy Minister
Government Services
Manitoba Transportation & Government Services

MEMBERS

Private Sector Representative	Randy Manikel RIO Management & Consulting Ltd.	
Client Representatives	John Hosang Assistant Deputy Minister Manitoba Transportation & Government Services	Dave Wotton Assistant Deputy Minister Manitoba Conservation
Ex Officio	Tracey Danowski A/Assistant Deputy Minister Manitoba Transportation & Government Services	Rae P. Csversko Chief Operating Officer Land Management Services
Staff Representative	Grace Delong Property Clerk Land Management Services	

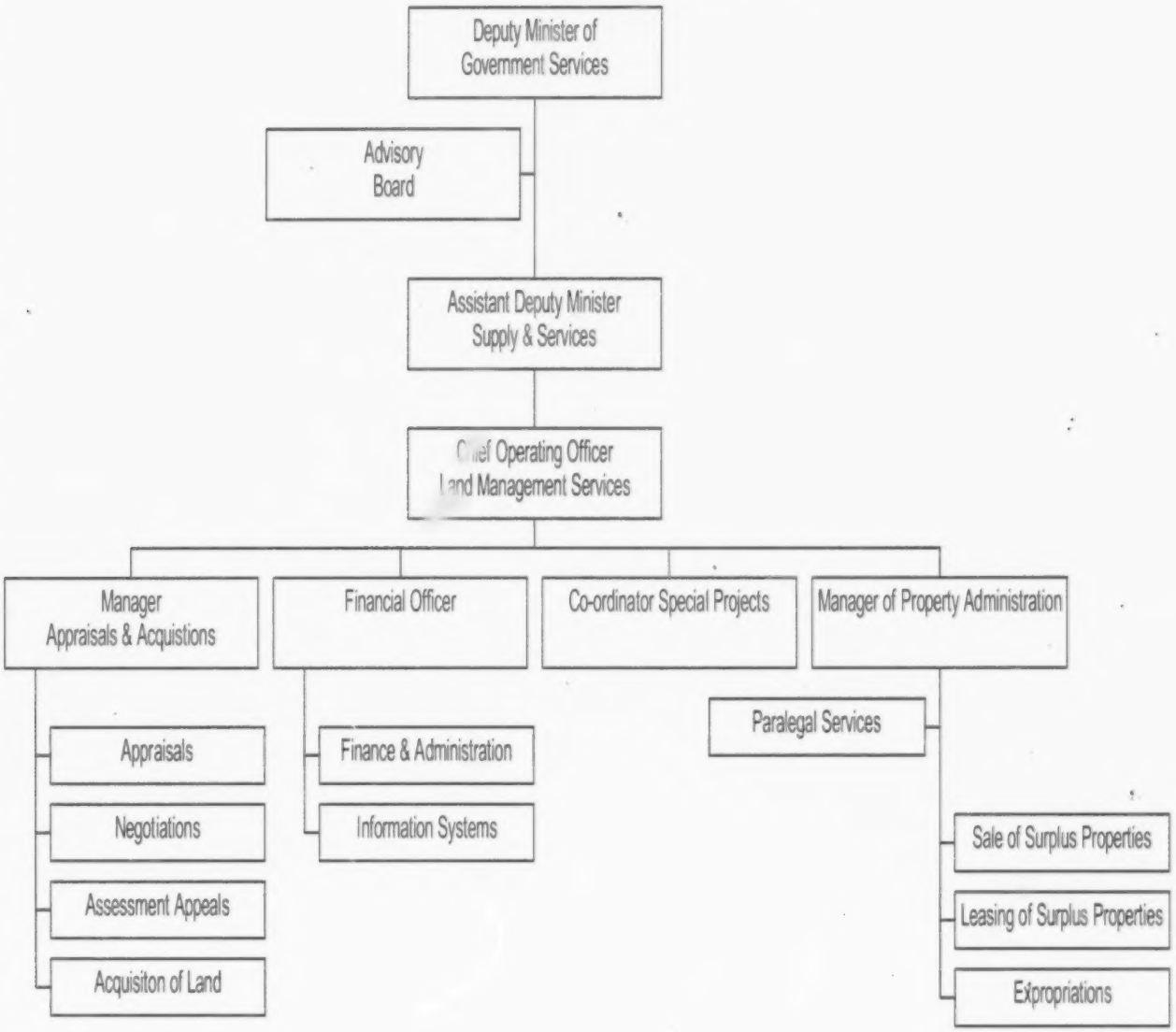
7 Land Management Services Locations & Contacts

Portage la Prairie	308 – 25 Tupper Street North Portage la Prairie MB R1N 3K1	Phone: Fax: Email:	(204) 239-3510 (204) 239-3560 lmsinfo@gov.mb.ca
Dauphin	27 – 2nd Avenue SW Dauphin MB R7N 3E5	Phone: Fax: Email:	(204) 622-2050 (204) 638-6428 lbernat@gov.mb.ca

Agency Contacts:

	TELEPHONE	E-MAIL
Rae P. Csversko Chief Operating Officer	(204) 239-3561	rcsversko@gov.mb.ca
Normand Le Neal Finance Officer	(204) 239-3522	nleneal@gov.mb.ca
Kurt Wright A/Manager, Appraisal & Acquisition	(204) 239-3520	kuwright@gov.mb.ca
Rod Kent Manager, Property Administration	(204) 239-3526	rkent@gov.mb.ca
Garry Dyck Co-ordinator, Special Projects	(204) 239-3543	gadyck@gov.mb.ca

8 Organization Chart



Appendix A Magnus & Buffie

LAND MANAGEMENT SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2006

LAND MANAGEMENT SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2006

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

INDEX TO FINANCIAL STATEMENTS
MARCH 31, 2006

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FINANCIAL STATEMENTS	
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Statement of Income and Retained Earnings	3
Statement of Cash Flow	4
Notes to Financial Statements	5 - 8
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Schedule of Public Sector Compensation Disclosure	10

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Land Management Services, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2006 and the statements of income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2006 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

May 15, 2006

CHARTERED ACCOUNTANTS

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)

MARCH 31, 2006	**2006**	**2005**
ASSETS		
CURRENT ASSETS		
Cash	$ -	$ 475
Accounts receivable	149	107
Work in process	219	156
Prepaid expenses	36	27
	404	765
DISCHARGE FUNDS HELD IN TRUST (Note 3)	4	4
RECEIVABLE FROM PROVINCE OF MANITOBA (Notes 4 and 8)	324	324
CAPITAL ASSETS (Note 5)	172	220
	$ 904	$ 1,313
LIABILITIES		
CURRENT LIABILITIES		
Working capital payable (Note 6)	$ 184	$ -
Accounts payable and accrued liabilities	170	277
Unearned revenue	27	-
Property proceeds payable (Note 7)	245	265
Client funds payable	65	163
	691	705
SEVERANCE PAY LIABILITY (Note 8)	219	203
UNEARNED REVENUE (Note 3)	4	4
	914	912
EQUITY		
(DEFICIT) RETAINED EARNINGS	(10)	401
	$ 904	$ 1,313

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF INCOME AND RETAINED EARNINGS

(in thousands)

FOR THE YEAR ENDED MARCH 31, 2006	2006	2005
RECOVERIES	$ 1,949	$ 2,517
OTHER INCOME	-	17
INCOME BEFORE EXPENSES	1,949	2,534
EXPENSES		
Administrative (Page 9)	487	489
Operating (Page 9)	131	142
Wages and benefits	1,492	1,609
	2,110	2,240
NET (LOSS) INCOME FOR THE YEAR	(161)	294
RETAINED EARNINGS, beginning of year	401	357
	240	651
REVENUE SHARING - PROVINCE OF MANITOBA	250	250
(DEFICIT) RETAINED EARNINGS, end of year	$ (10)	$ 401

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOW
(in thousands)

FOR THE YEAR ENDED MARCH 31, 2006	2006	2005
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net (loss) income for the year	$ (161)	$ 294
Adjustments for		
Amortization	75	94
Loss on disposal of capital assets	1	-
	(85)	388
Changes in the following		
Accounts receivable	(42)	245
Work in process	(63)	(99)
Prepaid expenses	(9)	12
Accounts payable and accrued liabilities	(107)	19
Property proceeds payable	(20)	(116)
Change in severance pay liability	16	(13)
Unearned revenue	27	(1)
	(283)	435
FINANCING ACTIVITIES		
Change in discharge funds held in trust	-	1
Change in client funds payable	(98)	2
Revenue sharing - Province of Manitoba	(250)	(250)
	(348)	(247)
INVESTING ACTIVITY		
Capital asset additions	(28)	(78)
CHANGE IN CASH AND CASH EQUIVALENTS	(659)	110
CASH AND CASH EQUIVALENTS, beginning of year	475	365
CASH AND CASH EQUIVALENTS, end of year	$ (184)	$ 475

Cash and cash equivalents consist of working capital payable of $184 (2005 - cash of $475).

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2006

1. NATURE OF ORGANIZATION

In 1965, The Land Acquisition Act was passed into law, bringing the Land Acquisition Branch into existence to provide a consistent process of real estate acquisition by government

Effective April 1, 1995, the Land Acquisition Branch, under the operating name Land Management Services ("LMS"), was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

LMS is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from LMS operations. It finances LMS through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating status, assist LMS to sustain the provision of high quality land acquisition services to its clients.

A Management Agreement between the Financing Authority and the Minister of of Transportation and Government Services assigns responsibility to LMS to manage and account for LMS related assets and operations on behalf of the Financing Authority.

LMS continues to be part of Manitoba Transportation and Government Services under the general direction of the Assistant Deputy Minister - Supply and Service Division, and ultimately the policy direction of the Deputy Minister and Minister of Transportation and Government Services.

LMS remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

LMS is economically dependent on the Province of Manitoba because it derives most of its revenue and all of its financing requirements from the Province through the Financing Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Capital assets

Capital assets are recorded at cost and are amortized annually based on the following rates and methods:

Computer software and equipment	20% straight line basis, 10% in year of acquisition
Equipment - office	20% straight line basis, 10% in year of acquisition
Leasehold improvements	20% straight line basis, 10% in year of acquisition

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue recognition

The percentage of completion method of accounting is used, whereby revenue is recognized proportionately with the degree of completion of the contracted work.

(d) Financial instruments

It is management's opinion that the carrying value of LMS's financial instruments approximates their fair value, except for the receivable from the Province of Manitoba which cannot be reasonably estimated due to the nature of the underlying terms of collection. In addition, it is management's opinion that LMS is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. DISCHARGE FUNDS HELD IN TRUST AND UNEARNED REVENUE

Discharge funds held in trust and the long term portion of unearned revenue represents the fee for finalizing to consolidate titles on discharge of mortgages on properties being consolidated. This fee is put into a special interest bearing trust account and the revenue deferred. When the mortgage is discharged the deferred revenue will be recognized and the funds released from the trust account. It is estimated some files could be completed in as little as two years and as many as 20 years.

4. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of LMS prior to creation of the Special Operating Agency and severance pay benefits prior to April 1, 1998. The balance is comprised of:

	2006	2005
Vacation entitlements	$ 132	$ 132
Severance pay benefits (Note 8)	192	192
	$ 324	$ 324

The timing and collection of these receivables will vary. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of LMS.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2006	Net Book Value 2005
Computer software and equipment	$ 874	$ 715	$ 159	$ 192
Equipment - office	61	48	13	26
Leasehold improvements	-	-	-	2
	$ 935	$ 763	$ 172	$ 220

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2006

6. WORKING CAPITAL

LMS has an authorized line of working capital of $800, $184 of which was accessed at March 31, 2006. Interest is based on prime minus 1.0%.

7. PROPERTY PROCEEDS PAYABLE

LMS disposes of general Federal, Provincial, and Municipal properties including Crown corporations, Boards and Agencies on a cost recovery basis. As at March 31, 2006, LMS had received proceeds on sales in excess of disposition costs of $245 (2005 - $265) which is outstanding and due to the various entities at year-end.

The cost and recoveries are recorded on a net basis on these financial statements.

8. SEVERANCE PAY LIABILITY

Effective April 1, 1998, LMS began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations set by the Province.

The Province has accepted responsibility for the severance benefits accumulated by LMS's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $188 was completely offset by a receivable from the Province.

An actuarial valuation report of LMS's severance as at March 31, 2000 was completed in prior years. The receivable from the Province was restated to $192 as a result of the actuarial valuation. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the LMS's actuarial liability has been calculated to be $219 as at March 31, 2006.

9. PENSION BENEFITS

Employees of the LMS are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the LMS, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the LMS transferred to the Province the pension liability for its employees. Commencing April 1, 2001, LMS was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2006 was $51 (2005 - $59). Under this agreement, LMS has no further pension liability.

10. SURPLUS PROPERTIES

LMS is responsible for the disposition of certain surplus Provincial properties. In accordance with direction from the Provincial Treasury Board, LMS has established a $200 reserve account within retained earnings to cover any aggregate annual disposition costs which exceed the proceeds of surplus Provincial properties offered for sale. LMS can retain excess proceeds over disposition costs of surplus Provincial properties to the extent of any cumulative unrecovered historical shortages.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2006

11. LEASE COMMITMENTS

LMS has not entered into a lease agreement with the Province of Manitoba for rental facilities at 25 Tupper Street N. Occupancy charges for the year ending March 31, 2007 are estimated to be $115 (2006 - $110).

LMS is also leasing office equipment and vehicles from the Province of Manitoba, with future estimated lease payments as follows:

Year	Amount
2007	$ 30
2008	21
2009	17
2010	16
2011	3

12. SUBSEQUENT EVENTS

Effective April 1, 2006, a new Agency was formed through the dissolution of Land Management Services Agency (Land Acquisition Branch) of Manitoba Transportation and Government Services and reconstituted by consolidating the Land Acquisition Branch with Lands Branch and Parks District Records Unit (formerly of Manitoba Conservation), as well as Agricultural Crown Lands Program (formerly of Manitoba Agriculture, Food and Rural Initiatives). The new SOA, the Crown Lands and Property Agency, will report under the Manitoba Transportation and Government Services - Supply and Services Division.

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2006

	2006	2005
ADMINISTRATIVE		
Amortization	$ 75	$ 94
Computer maintenance	50	53
Contributed services	71	34
Human resources overhead	18	18
IT leasing and support	73	98
Occupancy costs	110	104
Other	41	29
Supplies	11	12
Training	38	47
	$ 487	$ 489
OPERATING		
Printing, postage and advertising	$ 26	$ 22
Professional fees	29	38
Telephone	21	20
Travel	55	62
	$ 131	$ 142

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2006

Pursuant to the disclosure required by the Public Sector Compensation Act, no remuneration or other benefits were paid to the board members.

The Public Sector Compensation Disclosure Act also requires all publicly funded bodies to disclose compensation to any employee or officer when such compensation exceeds $50 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION 2006	2005
Raeburn Csversko	Chief Operating Officer	$ 93	$ 84
Scott Millar	Property Appraiser	72	60
Garfield Minkus	Property Appraiser	64	60
Aurel Pantel	Property Appraiser	62	56
Normand Le Neal	Controller	61	58
Calvin Pishak	Info Technologist	59	54
Rob Lucky	Property Appraiser	58	58
Kurt Wright	Interim Acting Manager of Appraisals	56	60
Jerry McLeod	Property Appraiser	56	53
Judy Sonley	Property Appraiser	55	53
Faren Chadney	Info Technologist	55	-
Rodney Kent	Manager of Property Administration	54	50
Mary Ann Penner	Property Appraiser	54	-
Leonard Bernat	Property Appraiser	52	-
Edwin Froese	Property Appraiser	-	74
Larry Pearson	Property Appraiser	-	63

AUDITORS' REPORT

To Land Management Services

We have audited the statement of receipts and disbursements of the Sale of Surplus Properties for the year ended March 31, 2006. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the receipts and disbursements of the Sale of Surplus Properties for the year ended March 31, 2006, in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

May 16, 2006

CHARTERED ACCOUNTANTS

1810 - 444 St. Mary Avenue · Winnipeg, Manitoba · R3C 3T1 · Phone (204) 942-4441 · Fax (204) 944-0400

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SALE OF SURPLUS PROPERTIES
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Total receipts	$	120,840
Total disbursements		140,387
Deficiency of receipts over disbursements	$	(19,547)

NOTE TO STATEMENT OF RECEIPTS AND DISBURSEMENTS
MARCH 31, 2006

REPORTING ENTITY

In 1988, a program submission to the Government to identify and market land surplus to Government needs was approved.

The program was designed to relieve Government departments of the financial burden of marketing and disposal. Proceeds from the sale of surplus properties for all departments are held in trust with all marketing and disposal costs paid from the proceeds. Any surplus of proceeds over costs are returned to the consolidated fund annually.